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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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State Department review completed

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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T H E   W E E K   I N   B R I E F

PART I

OF IMMEDIATE INTEREST

AMERICAN-CHINESE TALKS . . . . . Page 1

The Chinese Communists at Geneva have been giving ground on some points in devising a formula for the repatriation of Americans and Chinese. Peiping is now resisting an early deadline for the release of all Americans still detained in China. Chances are about even, however, that the Chinese will sooner or later commit themselves to a deadline if the alternative is termination of the talks. [REDACTED]

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FRENCH NORTH AFRICA . . . . . Page 2

The disorders in Morocco have precipitated a political crisis in France. Premier Faure is expected to reach a preliminary understanding with the Moroccan nationalists which will be acceptable to the French assembly. [REDACTED]

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PART II

NOTES AND COMMENTS

Yugoslavia Increasingly Unco-operative With US: Several recent Yugoslav actions point up Belgrade's increasing unwillingness to co-operate with the United States. Yugoslavia's attitude appears to be caused by a feeling of greater security, which in turn is largely accounted for by the continued improvement in relations with the Soviet bloc. [REDACTED]

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USSR Gains Prestige at Atoms-for-Peace Conference: The USSR's policy of fostering "the Geneva spirit" and "a new internationalism" governed the conduct of the Soviet scientists in all phases of the UN-sponsored conference on the peaceful uses of atomic energy. The Soviet Union appears to have moved beyond what was largely a purely propaganda position to a major effort to demonstrate its real accomplishments in the peaceful uses of atomic energy. As a result, Soviet participation at Geneva considerably enhanced the prestige of the USSR's atomic energy program. [REDACTED]

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**Soviet Bloc Offers to Afghanistan:** Continued offers of Soviet bloc aid and technical assistance to Afghanistan and measures taken by both sides toward implementing earlier agreements suggest that the Communist-sponsored projects have resulted from long-term planning on the part of Moscow. The Afghans may, however, regard increased contacts with the Soviet bloc mainly as a psychological and practical tactic in their dispute with Pakistan. [REDACTED]

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**Czechoslovakia Plans to Reduce Troop Strength:** Czechoslovakia's announcement of plans to cut its armed forces is probably designed to strengthen the propaganda value of the Soviet troop reduction plan; the other Satellites may soon follow suit. The planned Czech reduction would not appreciably reduce the bloc's over-all military capabilities. [REDACTED]

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**Soviet Bloc Redefection Campaign:** The Soviet bloc's campaign to induce Soviet and Satellite emigrés to return seems to be meeting with some success. Its immediate objective seems to be to sow dissension among emigrés and discourage their participation in anti-Communist activities, rather than to bring great numbers of them back to their homelands. [REDACTED]

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**Harvest Prospects Poor in European Satellites:** Harvests in all the European Satellites except Poland have been delayed for the second consecutive year by adverse weather and an inadequate labor force. As a result, there may be abnormal harvesting losses and poor quality grain again this year. [REDACTED]

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**Economic Crisis Forces Burma to Turn to US for Help:** Burma's request for a \$50,000,000 loan from the United States represents an important change in Burma's rigorously neutral foreign policy. The request was made necessary by an impending balance-of-payments crisis due mainly to the emergence of a buyers' market for rice. [REDACTED]

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**Shigemitsu's Visit to Washington:** Japanese foreign minister Shigemitsu's visit to Washington is primarily designed to enhance his personal prestige. He plans to discuss in general terms a wide variety of problems. [REDACTED]

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Indonesia: There has been a decided change in the political atmosphere in Indonesia since the departure of the Ali government. The most striking change has been the friendly attitude of government officials toward the United States. [REDACTED] Page 10 25X1

Philippines: The decision of the Nacionalista Party convention on 21 August to delegate final selection of its senatorial candidates to the Magsaysay-controlled party executive committee is virtually certain to result in Senator Recto's exclusion from the party ticket for the November election. In consolidating his political position, Magsaysay apparently has made concessions to the powerful "sugar bloc" which dominates the Democratic Party and has little sympathy for his reform program. [REDACTED] Page 11 25X1

Afghan-Pakistani Situation: A last-minute stiffening in Pakistan's attitude apparently has prevented settlement of the dispute with Afghanistan on the basis of a compromise formula suggested by Afghanistan. Pakistan now proposes to await an attempt at mediation by Turkey. [REDACTED] Page 11 25X1

Implications of the Syrian Election: The new Syrian cabinet, which will be appointed after Quwatli's inauguration as president on 6 September, will presumably give Syria a government more favorable to the West. [REDACTED] Page 11 25X1

Sudanese Developments: The mutiny of part of the Sudanese army stationed in the southern Sudan has overshadowed major steps the country has taken since 16 August toward deciding its future status. There appears to be a continuing trend toward independence rather than union with Egypt. [REDACTED] Page 12 25X1

Saar Referendum Campaign Renews French-German Frictions: An unexpectedly strong revival of French-German friction over the Saar has occurred in the first month of the 90-day campaign period preceding the 23 October Saar referendum. Campaign observers have noted that approval of the 1954 French-German Saar settlement is no longer certain. [REDACTED] Page 13 25X1

Argentine Unrest Continues: The Argentine government appears to be planning sterner measures to curtail demonstrations by the opposition. New government charges against Catholics and new Peronista Party pronouncements suggest a revival of the antichurch campaign--a development which could cost Peron some of his vital army support. [REDACTED] . . . Page 14 25X1

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## PART III

PATTERNS AND PERSPECTIVESUSSR EXPLOITS DIFFERENCES BETWEEN WEST AND MIDDLE EAST . . Page 1

During recent weeks Moscow has moved to capitalize on differences between Middle Eastern states and the Western nations. Soviet overtures have been directed mainly to Egypt, but also to Saudi Arabia and Syria--the three countries which have most opposed Western-sponsored defense arrangements in the Middle East. The USSR apparently has made a number of offers of economic aid, technical assistance, trade, and military equipment. [REDACTED]

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MAJOR DEVELOPMENT OF YELLOW AND YANGTZE RIVERS PLANNED . . Page 4

Communist China has announced that beginning in 1957 major programs will be started for the permanent control of the Yellow and Yangtze Rivers and the economic development of their valleys. These programs are expected to follow closely recommendations of American surveys, made from 1943 to 1947, which predicted enormous agricultural and industrial benefits from flood control, irrigation, hydro-electric power generation, and improved navigation on these rivers. [REDACTED]

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TURKEY'S ECONOMIC DIFFICULTIES COMPLICATE RELATIONS WITH US. Page 5

Turkey's economic difficulties and related domestic political problems have led its government to adopt a cooler attitude toward the United States. Nevertheless, Turkey's co-operation with the Western powers in defense matters almost certainly will continue. [REDACTED]

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PROSPECTS FOR LONDON TALKS ON CYPRUS ISSUE . . . . . Page 6

The three governments meeting in London on 29 August to discuss Cyprus are firmly committed to their respective positions concerning the union of Cyprus with Greece. There is little room for compromise between the British and Turks on the one side and the Greeks on the other. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****25 August 1955****PART I****OF IMMEDIATE INTEREST****AMERICAN-CHINESE TALKS**

The Chinese Communists at Geneva have been giving ground on some points in devising a formula for the repatriation of Americans and Chinese. Peiping is now resisting an early deadline for the release of all Americans still detained in China. Chances are about even, however, that the Chinese will sooner or later commit themselves to a deadline if the alternative is termination of the talks.

Chinese Communist representative Wang Ping-nan has apparently withdrawn his demand for Indian investigation of the case of any Chinese national at the request of "his government." The original Chinese formula would have permitted Peiping to bring pressure to bear on Chinese who do not wish to return to China.

That Peiping had hoped to be able to exert such pressure was indicated by Wang's repeated request, in the early days of the talks, for the names of all Chinese nationals in the United States. The request was rejected, and Wang has not recently returned to it. The draft Peiping is now considering makes explicit that the Indian embassy in Washington may investigate only the cases of those Chinese who feel they are being prevented from returning.

Wang on 18 August proposed a draft agreement under which Peiping would recognize that all Americans in Communist China are entitled to return, and would declare that measures

have been and will be taken so they can "exercise their right to return." This proposal alters the language of Wang's earlier formula, which specified that Americans "involved in unfinished civil or criminal cases" could leave Communist China only after the settlement of their cases.

While Wang has strongly implied that many or most Americans will be freed as soon as agreement is reached on a repatriation formula, both of Wang's proposals have been designed in part to allow Peiping to save a little face by not making a mass release of Americans. Wang has heatedly argued that a mass release would repudiate Chinese judicial procedures.

Moreover, the Chinese Communists almost certainly wish to hold back some Americans until satisfied that arrangements for the return of Chinese from the United States are working satisfactorily. Finally, some of Wang's remarks have suggested that Peiping has not abandoned its hope of inducing other American firms to pay ransom for some of their personnel involved in civil cases, and of extracting concessions for the release of persons alleged to be "spies."

Peiping appears to believe that it has already taken a conciliatory position on the issue of repatriation and that it is not obliged to move much further. Chances are about even, however, that Peiping will sooner or later commit

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itself to a deadline for completing the release, if the alternative is termination of the talks.

Peiping implied before the talks began that it wished to discuss, under the second agenda item of "other practical matters at issue," such topics as economic restric-

tions and American and Chinese Nationalist military and intelligence operations in the China area. Peiping may hope to avoid a repatriation deadline and then take the position that the release of American "spies" will depend on a cessation of intelligence operations in the China area.

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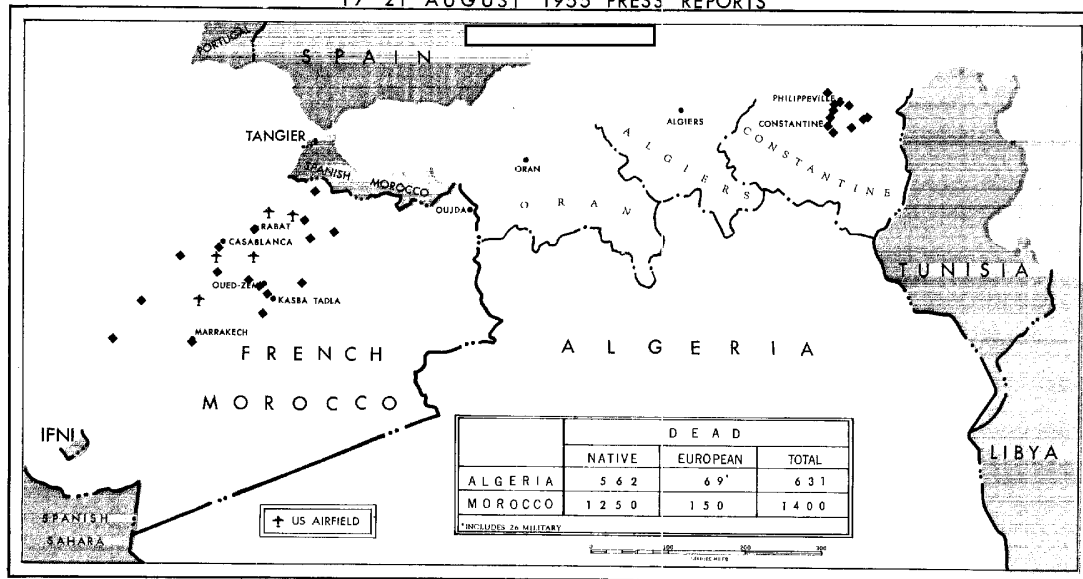
**FRENCH NORTH AFRICA**

Conservative deputies in the French National Assembly threatened to withdraw support of Premier Faure if he made "important concessions" in the conversations at Aix-les-Bains between his government and Moroccan leaders. Faure refused to confer in his quick visit to Paris on 24 August with the leaders of his rightist critics, however, and he expressed the intention of

getting the opinions of all elements in Morocco.

The right-wing parties are split on the question, and in the event of a rightist defection, Faure can count on the counterbalancing support of the Socialist Party for a liberal policy toward Morocco. In view of mounting public pressure for an agreement with the Moroccan nationalists, Faure will probably take the risk.

AREAS OF DISTURBANCE IN ALGERIA AND MOROCCO  
19-21 AUGUST 1955 PRESS REPORTS

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A special cabinet meeting will probably be held shortly, and Faure may decide then whether to recall parliament. Much will depend on the attitude of Foreign Minister Pinay, who has heretofore backed the conservative deputies. If Pinay, as expected, backs Faure on a program acceptable to the Moroccan nationalists, the premier will probably be able to put it through without serious parliamentary difficulty.

This would mean replacement of Sultan Mohamed ben Arafa by a regency and the creation of a Moroccan government acceptable to moderate nationalist elements. Grandval would then be expected to remain as resident general, although he is reported ready to resign because of his disagreement with military leaders over the ruthless nature of their "clean-up" operations.

Pressure is mounting among the French settlers in Morocco to force Grandval's resignation, and there is increasing evidence of a serious struggle between

Grandval and his subordinates over the administration of the protectorate.

The violence which broke out in Algeria and Morocco on 20 August demonstrated the existence of some co-ordination and central direction of nationalist activity. Despite press speculation that the outbreak in the Constantine Department of Algeria was synchronized with attacks in Morocco, the absence of similar incidents in the departments of Oran and Algiers suggests that a master plan for North Africa does not yet exist.

Co-ordinated terrorist activity in eastern Algeria resulted in some 600 dead. Bombardment and strafing of Moroccan settlements on 21 and 22 August raised the overall French North African death toll for the week end to nearly 2,000, according to press accounts. Actual figures are probably substantially higher.

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**PART II****NOTES AND COMMENTS****Yugoslavia Increasingly  
Unco-operative With US**

Several recent Yugoslav actions point up Belgrade's increasing unwillingness during the past year to co-operate with the United States. Yugoslavia's attitude appears to be caused by a feeling of greater security, which in turn is largely accounted for by the continued improvement in relations with the Soviet bloc.

The most forthright statement of the current Yugoslav position was made on 19 August by Vice President Vukmanovic-Tempo. He said that Yugoslavia would renounce future American economic aid if compliance with Battle Act restrictions remained a condition for such aid. This is in contrast to the assurance given by Yugoslav officials following the Soviet-Yugoslav talks that, while Belgrade might eventually reconsider its policy of not shipping strategic goods to the bloc, it would not do so for some time to come.

Though Vukmanovic added that Belgrade would not contravene the Battle Act hastily, his position is the strongest elaboration to date on the public statement made by Tito late in July that future aid could be accepted only if no strings were attached. Failure to comply with the Battle Act would endanger Yugoslav receipt this year of about \$34,000,000 of American economic aid and of 600,000 tons of surplus wheat and 24,000 tons of surplus cotton which have been requested from the United States.

In the same conversation, Vukmanovic complained about high interest rates on past

loans obtained in the West and indicated that the USSR was prepared to provide long-term loans at low interest. According to one rumor, the USSR has offered \$100,000,000 at 2 percent for 10 to 12 years. Vukmanovic specifically blasted West Germany, warning that Belgrade is preparing to default on payments on its medium-term debt to the Germans because of their failure to satisfy Belgrade's claims for sums confiscated by the Germans during World War II. He even expects a break in trade relations, although Germany is Yugoslavia's best customer.

In recent weeks no progress has been made toward obtaining better Yugoslav co-operation in the inspection required by law to accompany American military aid, despite Yugoslav professions of good will on the matter. Although warned of the effect on American aid programs of Yugoslav production of Soviet MIG jets, the Yugoslavs still appear to be considering their manufacture.

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Meanwhile, Yugoslav relations with the East have continued to improve. The Yugoslav parliamentary delegation to the USSR came back apparently generally impressed by the new Soviet friendship. There were some cautious comments, however, such as one by the delegation leader, quoted by the Soviet press, that events since 1948 "have left their marks."

All the top Soviet leaders then present in Moscow attended the reception given for the delegation by the Yugoslav

embassy. The party was described by Ambassador Bohlen as a "fraternal love feast" in which "comrade" was the only form of address used between the Soviets and the Yugoslavs.

Yugoslavia's more independent policy toward the West probably arises from an increasing sense of security. Belgrade's policy is consistent with the basically anti-Western, anti-capitalist attitudes of the Yugoslav Communists. They probably believe that they can blackmail the West into giving aid on their terms. On the other hand, they evidently believe that the threat of aggression by the Soviet bloc has disappeared and hope to satisfy an increasing amount of their economic needs from that source.

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### USSR Gains Prestige at Atoms-for-Peace Conference

The USSR's dedication to "the Geneva spirit" and "a new internationalism" governed the conduct of the Soviet scientists in all phases of the UN-sponsored conference on the peaceful uses of atomic energy.

Moscow has tried for several years to seize the initiative in this field by making a number of dramatic propaganda moves. Now, however, the USSR appears to have moved beyond what was largely a purely propaganda position prior to its own atomic energy conference in July to a major effort to demonstrate its real accomplishments in the peaceful uses of atomic energy.

Soviet scientists impressed Western delegates with their apparent freedom to enter into substantive discussions and their willingness to learn

through an exchange of ideas. The attitude of the Soviet scientists evidently reflected a real desire to benefit from exchanges of information with the West. The only obvious restraint for security reasons was a careful protection of data that could reveal the sources of raw uranium or the location of Soviet nuclear installations.

Soviet papers submitted to the conference on the atomic power station, including a series of photographs, drawings, and charts reflecting the experience gained through its operation, especially impressed the delegates. They revealed for the first time the types of nuclear fuels used.

The Soviet papers reflected a broad base of nuclear research capable of supporting intensive investigation of a weapons program and nonmilitary projects.

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The information revealed also suggests that the USSR has a high level of competence among both its top-flight scientists and technicians, and that there is a high degree of appreciation in the Soviet government of the value of a wise basic research program.

The most surprising announcement made was that the USSR will soon complete a 10 billion electron volt particle accelerator for high-energy nuclear physics research, which will be the largest accelerator in the world. This suggests that Soviet science will soon be in a pre-eminent position in this field.

The Soviet delegation avoided propaganda topics privately and publicly throughout the conference. At no time was there an allusion to military aspects of atomic energy, the question of banning atomic weapons, or the injured Japanese fishermen. The Soviet scientists participated in a number of discussions about Western atomic projects for peaceful uses, but they did not belittle them or compare them unfavorably with the Soviet program.

Only in the case of the Soviet atomic power plant did some of the Soviet delegates depart from their restrained

approach. The plant was presented to the conference as an important Soviet "first," the "only plant of its kind in the world." This has been one of the outstanding Soviet propaganda themes for more than a year.

Soviet propaganda has repeatedly called for an exchange of scientific knowledge with the West, and has pointed to the Geneva meeting as an example of the kind of exchanges that should be continued. In order to emphasize their own program, the Soviet delegation announced that the USSR was offering assistance to seven Communist states for the purpose of developing programs for the peaceful uses of atomic energy.

The conference held by the USSR in July on the peaceful uses of atomic energy was attended by representatives from 41 nations. While this conference was almost completely boycotted by the West, several scientists from smaller non-Communist countries have since given favorable accounts of the Soviet program. Similar appraisals have been made, especially by scientists from underdeveloped areas, of the Soviet presentation at the Geneva meeting.

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**Soviet Bloc Offers to Afghanistan**

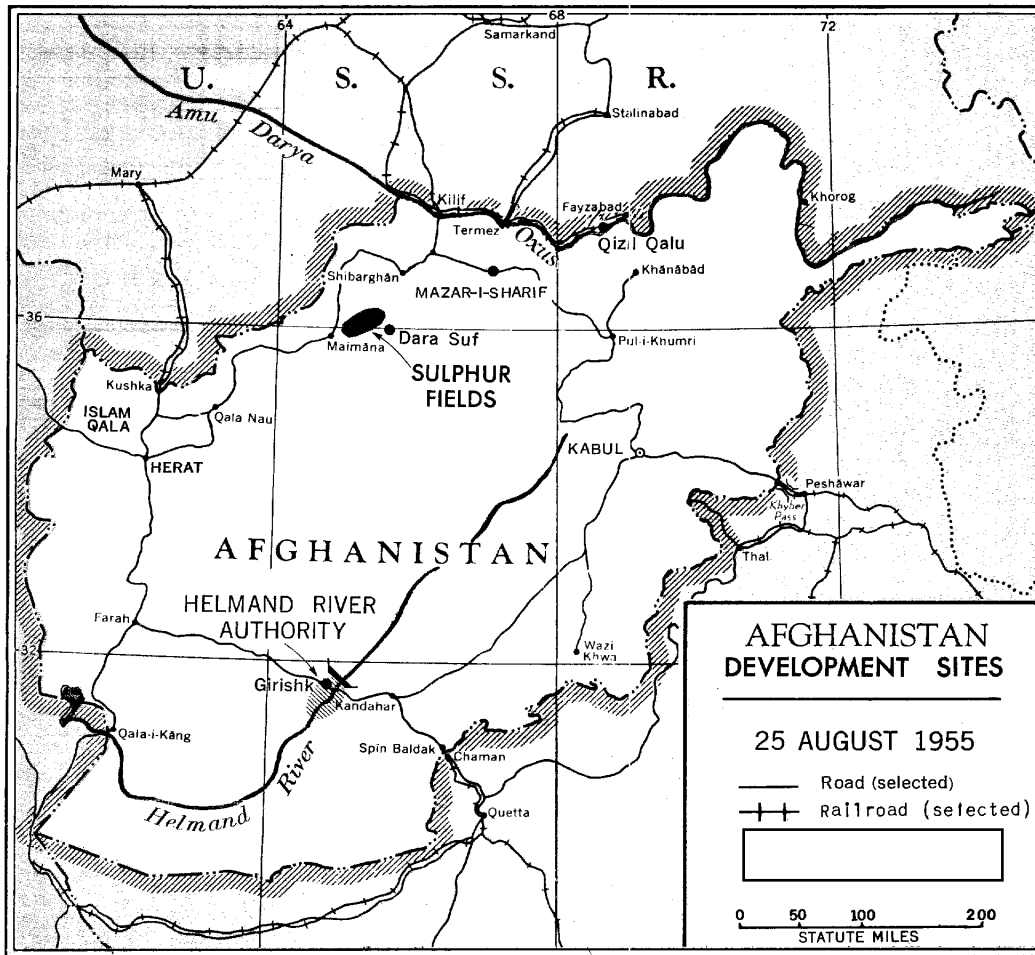
Continued offers of Soviet bloc aid and technical assistance to Afghanistan and measures taken by both sides toward implementing earlier agreements suggest that the Communist-sponsored projects have resulted from long-term planning on the part of Moscow. The Afghans may, however, regard increased

contacts with the Soviet bloc mainly as a psychological and practical tactic in their dispute with Pakistan.

Soviet ambassador Degtyar presented Moscow's most recent offer during a meeting on 10 August with Foreign Minister Naim

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The USSR is also reported to have offered \$60,000 worth of equipment for the Kabul medical school.

Poland has offered materials, equipment and technicians--who would be Soviet personnel--for installing water systems in Kabul and Qandahar.

These reported new Communist offers have more political implications than previous ones. The medical project would involve the stationing of permanent Soviet personnel in Afghanistan, and the water system for Qandahar would bring Communist influence into southern Afghanistan, where the West traditionally has predominated.

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A new postal agreement was signed by the USSR and Afghanistan on 14 August. This agreement probably was a direct follow-up of the transit trade agreement signed in June giving Afghanistan discounted rates for the next five years.

Other recent developments reported by the American embassy include the arrival in mid-August of the first shipments of Soviet consumer goods in Kabul from the newly established port of Qizil Qala on the Oxus, which the USSR and Afghanistan have agreed to develop jointly. Soviet engineers were reported in mid-August directing preparations for exploiting sulphur deposits in the Mazar-I-Sharif area, and they are said to be interested in developing the coal deposits at Dara Suf to obtain fuel for a sulphur processing plant.

[redacted] Soviet engineers will survey railroad lines in Afghanistan which would link with the Soviet system. A Prague radio broadcast on 3 August announced that the first machines and equipment for a cement plant to be constructed

in Afghanistan were being delivered from Czechoslovakia.

There have been reports that the USSR is withholding promised and badly needed emergency shipments of POL supplies to Afghanistan, for the purpose of forcing settlement of the Afghan-Pakistani dispute. Acute POL shortages in Kabul, Qandahar, and the Helmand Valley suggest that shipments have stopped. Foreign Minister Naim has denied that the Soviet Union has yet attained sufficient influence to exert real pressure, but admits that it will be able to do so when the recently agreed transit arrangements come into effect.

The embassy also reported on 18 August that a new element has been introduced into Soviet and Afghan efforts to depreciate the American-sponsored Helmand Valley development project. A "whispering campaign" in Qandahar and Kabul is urging Afghans to "go to Kabul and see what the Soviets are doing." This suggests that Communist personnel in Afghanistan may now for the first time be attempting political exploitation of the Soviet bloc aid projects.

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**Czechoslovakia Plans to Reduce Troop Strength**

The Czech government's announcement of 24 August that it intends to cut its armed forces by 34,000 men before the end of the year is probably designed to strengthen the propaganda value of the recently announced Soviet troop reduction plan. This Czech move may soon be followed by similar announcements from the other Eastern European Satellites.

While the planned reduction would mean an 18-percent cut in Czech armed strength, it would not appreciably diminish the Soviet bloc's over-all military capabilities.

Czechoslovakia has long been faced with a labor shortage, especially in agriculture, and the release of troops from military service may ease this problem.

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**Soviet Bloc  
Redefection Campaign**

The Soviet bloc's campaign begun in the fall of 1954 to induce Soviet and Satellite emigrés to return appears to be gaining momentum. The campaign is being promoted officially by the authorities concerned and by overt and semi-covert propaganda emanating from individuals and special cover organizations.

Soviet redefection efforts are centered in the so-called Committee for Return to the Homeland, a "voluntary" group headed by Major General N. F. Mikhailov. The Mikhailov committee is comprised of 18 Soviet scientists, writers, artists, Stalin Prize winners, and Heroes of the Soviet Union who allegedly have been granted permission by the East Germans to set up their headquarters on the "territory of the German Democratic Republic."

The committee publishes a newspaper, pamphlets, and bulletins which are mailed from its headquarters in East Berlin. Refugees are sent personal letters from former acquaintances who have already returned to the Soviet Union and from relatives and friends at home saying that conditions have changed and suggesting a return. There also have been several cases involving personal contact by Soviet officials or their employees.

Organizations similar to the Mikhailov committee have been established in the Satellites. In addition, amnesties

for refugees returning home were proclaimed by the Hungarian and Czechoslovak governments in April and May, and by the Rumanian government in June. Last fall the Bulgarian government extended for another year an amnesty proclaimed in 1953.

The amnesties have been given extensive publicity in the press and radio and by Satellite missions abroad. Refugees and defectors returning home have given press and radio interviews and appealed to their former companions in the West to return.

The Soviet Union and the Satellites are beginning to claim sizable success from these efforts.

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between 100 and 200 persons had returned since last fall, mostly from refugee camps in Europe. A later report states that between 15 July and 12 August approximately 120 Soviet emigrés, ex-residents of various South American countries, passed through Vienna as repatriates to the USSR.

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The immediate purpose of the redefection campaign probably is to sow dissension among emigrés and to discourage their participation in anti-Communist activities, rather than to bring great numbers of them back to their homelands.

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**Harvest Prospects Poor in  
European Satellites**

Harvests in all the European Satellites except Poland have been delayed for the second consecutive year by adverse

weather and an inadequate labor force. As a result, there may be excessive harvesting losses and poor quality grain again this year.

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A late spring retarded the development of fall-sown grains--wheat and rye--thus causing them to mature two to three weeks later than normal, at approximately the same time as the spring-seeded grains--wheat, rye, barley and oats. Neither men nor machines are available in sufficient quantity to harvest both plantings simultaneously, so some losses from overripening are inevitable.

Rainy weather between 15 July and 15 August, particularly in Hungary, Czechoslovakia, Rumania and Bulgaria, has complicated both harvesting and threshing. Wet fields and lodged grain have restricted the use of machinery and made it necessary to increase hand labor. In countries such as Czechoslovakia and Hungary,

which have a shortage of farm labor, there have been numerous government appeals for volunteers to help with harvesting. Judging from past experience, however, it is doubtful that there will be much response to these appeals.

In areas where the grain has been cut, the wet shocks are now standing in the fields. In the absence of proper drying facilities, some government officials have advocated threshing the grain while still wet, which would lower the quality.

The summer rains will, however, be beneficial to root crops, corn, and hay harvested later--provided the present delays do not prevent the harvesting of these crops when they are ready.

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### Economic Crisis Forces Burma To Turn to US for Help

Burma's request for a \$50,000,000 loan from the United States represents an important change in Burma's rigorously neutral foreign policy. The request was made necessary by an impending balance-of-payments crisis.

Although Burma is rich in natural resources, economic activity lags far behind pre-war levels because of widespread insurgency as well as governmental inexperience and inefficiency. Until 1952, however, high prices for rice

not only sustained Burma's economy, but permitted the accrual of substantial foreign exchange reserves.

Since 1952, a buyers' market in rice has emerged which has cut deeply into Burma's foreign exchange earnings and caused the accumulation of large stocks of unsold rice.

In attempts to dispose of these, Burma turned to the Orbit, and in negotiations continuing over nearly a year, finally signed barter agreements with

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the Soviet Union, Communist China and several of the European Satellites. Actual deliveries of rice under these contracts have been slow, however, and imports of goods to pay for the rice appear to have been even slower. To date, the agreements have contributed little to the improvement of Burma's foreign exchange reserve position.

Meanwhile, Burma's military costs have continued at a high level and heavy expenditures have been incurred in connection with a somewhat grandiose welfare-development program. As a result, it is now estimated that foreign exchange holdings may fall below the legal currency reserve requirements by the end of September.

To meet the crisis, the government has moved to restrict imports, thereby risking inflation, and is cutting down on the welfare-development projects, which is politically unpopular and wasteful in so far as they have already been

begun. Burma also approached India for a loan, and New Delhi has offered to advance \$10,000,000 immediately and a similar sum in November. Premier Nu, however, has expressed a preference to obtain the loan from a single source--the United States.

The Burmese ambassador in Washington has indicated that an American loan would be used for three purposes: (1) to counter inflation by permitting the importation of essential consumer goods; (2) to maintain the required level of reserves against currency circulation; and (3) to finance certain economic development projects.

A loan for these purposes would be little more than a stopgap. There may be an improvement in the rice market; in particular, India may again enter the Burmese market next year. Such a development would alleviate Burma's difficulties, but restoration of Burma's secondary line of production is essential before economic stability can be achieved.

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**Shigemitsu's Visit to Washington**

Japanese foreign minister Shigemitsu's visit to Washington, designed primarily to improve his personal prestige, is favored by Democratic Party leaders as a stratagem to

strengthen the position of Prime Minister Hatoyama and the party.

Shigemitsu has indicated he desires the talks to be general in nature. Proposed topics include a canvass of the

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world and Far East situations from the Washington and Tokyo viewpoints; the problems of Japan's defense and its support of the American security forces; the release of war criminals; the eventual return to Japan of the Bonin and Ryukyus Islands; a reduction in trade controls with Communist China; and other economic matters.

Shigemitsu desires to replace the present security

treaty with a mutual defense pact. He may hope that a mutual defense pact would give the Japanese greater authority in determining the nature and extent of the defense measures to be undertaken and would permit Japan to veto the deployment of atomic weapons. He will also present Japan's six-year defense plan, which suggests that American ground forces might be withdrawn in 1958.

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Indonesia

Several recent developments in Djakarta indicate a decided change in the political climate since the departure of the Ali government.

The most striking change has been the friendly attitude of government officials toward the United States.

The youthful new foreign minister, Anak Agung, has stated that although Indonesia would continue to pursue an "independent" foreign policy, he would personally handle all American matters. He inquired whether discussions concerning a treaty of friendship, commerce and navigation could be resumed in the near future.

Other cabinet members have gone out of their way at of-

ficial functions to seek out Ambassador Cumming for warm and friendly attention, in contrast to the "cool, correct" treatment accorded Communist diplomats. Even President Sukarno has expressed interest in securing American funds to stimulate Indonesia's economic development.

Several prominent persons identified with the government, including the minister of the interior, have expressed their belief that elections will be held as scheduled on 29 September.

The Harahap government is bound to encounter a number of serious obstacles in carrying out its program. Harahap can never be completely sure of being supported by the smaller parties in his coalition on any

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given issue, and these parties hold the balance of power in parliament. The opposition parties, which include the Communists, may be expected to rally their forces in a con-

certed effort to overthrow Hara-hap. Thus the shift to a pro-Western orientation, within the framework of an "independent" foreign policy, will be a particularly difficult and delicate process.

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Philippines

The decision of the Nacionalista Party convention on 21 August to delegate final selection of its senatorial candidates to the Magsaysay-controlled party executive committee is virtually certain to result in Senator Recto's exclusion from the party ticket for the November election.

In consolidating his political position, Magsaysay apparently has made concessions to the powerful "sugar bloc" which dominates the Democratic Party and has little sympathy for his reform program. Several

members of this bloc, which already held several key economic positions in the government, have been appointed by Magsaysay to the newly reorganized National Economic Council, which is to take over responsibility for economic planning and development.

Magsaysay's designation last week of a "sugar" man to be acting chairman of the economic council also indicates that he has granted this special interest group a major role in the determination of Philippine economic policies.

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Afghan-Pakistani Situation

A last-minute stiffening in Pakistan's attitude apparently has prevented settlement of the dispute with Afghanistan on the basis of a compromise formula suggested by Afghanistan. Pakistan has instructed its embassy in Kabul to reject the Afghan offer and now proposes to await an attempt at mediation by Turkey.

The formula devised by Afghan foreign minister Naim appeared to meet earlier Pakistani conditions for settlement. The American embassies in both countries had been authorized to convey, if necessary, an informal understanding on Pushtoonistan propaganda between Pakistan and Afghanistan.

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Implications of the Syrian Election

The election of Shukri al-Quwatli as president of Syria should provide the country with at least a temporary breathing

spell after the alarms and excursions created by leftist influence during the last seven months. The new cabinet which

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is to be appointed following Quwatli's inauguration on 6 September is likely to be a coalition of the conservative Nationalist and Populist Parties, whose falling out last February gave the leftists their chance.

Although Quwatli had been recognized as Egypt's favorite and almost certainly owes Cairo political debts he will be called on to pay, he has indicated that he will not sign the proposed Egyptian-Syrian-Saudi pact and has protested that he is neither anti-Iraqi nor anti-Western.

The "resignation" of Foreign Minister Azm and several colleagues immediately after the election, in which Azm was the only candidate who opposed Quwatli in the actual balloting, removes a major source of anti-Western intrigue from the government.

The American embassy in Damascus believes it ominous for the future, however, that Azm demonstrated more strength than had been expected. He may now be the recognized leader of an opposition group which will probably include the leftist

Arab Socialist-Resurrectionists and the lone Communist deputy, party leader Khalid Bakhdash. This group will play on the personal differences which are almost certain to arise in a coalition of Syrian conservatives.

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While the conservatives will presumably give Syria a government more favorable to the West, they are not likely to develop a program offering any very permanent internal stability. Quwatli's ability to handle the army remains to be proved, and unless the army is made decisively subordinate to civil authority, fundamental improvement in Syria's internal situation seems unlikely.

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**Sudanese Developments**

The mutiny of part of the Sudanese army stationed in the southern Sudan has overshadowed the major steps the country has taken since 16 August toward deciding its future status.

The mutiny is probably a result of Egyptian-inspired agitation to arouse southern Sudanese fears of domination by the north should the Sudan opt for independence. It appears to have directly affected only three or four army posts in the southern provinces. The muti-

nous units were made up of southern soldiers under northern officers. Latest reports are that the bulk of the mutineers have surrendered, but complete restoration of order is likely to take some time.

The mutiny occurred on 17 August, the day following the announcement of completion of "Sudanization" of the government --the first step toward ending the Anglo-Egyptian condominium. The Sudan parliament had passed on 16 August a resolution

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calling on the two administering powers to set up the international commission which is to supervise elections for a constituent assembly. Under the terms of the Anglo-Egyptian agreement of 1953, the assembly is to determine whether the Sudan should be independent or unite with Egypt.

The British and Egyptians, long deadlocked on whether they and the Sudanese should be members of this commission, reached agreement at the eleventh hour to leave the composition up to the Sudanese. On 22 August the Sudanese parliament determined

that the seven members should be India, Yugoslavia, Czechoslovakia, Pakistan, Norway, Sweden and Switzerland.

This decision is basically a victory for pro-independence elements and for the British, who feared Egyptian representatives would use their position to attempt to influence the elections. The inclusion of India, Yugoslavia and Czechoslovakia, however, was almost certainly at Egypt's request. There appears to be a continuing trend toward independence rather than union with Egypt.

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#### Saar Referendum Campaign Renews French-German Frictions

An unexpectedly strong revival of French-German friction over the Saar has occurred in the first month of the 90-day campaigning period preceding the 23 October Saar referendum. Campaign observers have noted that approval of the 1954 French-German Saar settlement is no longer certain.

Three previously proscribed pro-German parties have launched a vigorous campaign against the proposed statute, which would give the Saar a "European" political status while leaving it tied economically to France. Their success in attracting public sympathy is due in considerable measure to the fact that pro-German sentiment has a legal political outlet in the Saar for the first time. Their activities have been marked, however, by violence, reportedly abetted by the Saar Communist Party, which also opposes the statute.

Saar premier Johannes Hoffmann's leadership of the

pro-statute cause affords an easy target for the pro-German parties, which represent him as the symbol of French domination. He has been shaken by the pro-German onslaught to the point of considering advising his followers as a last resort to boycott the referendum, according to the American consul at Strasbourg.

West German chancellor Adenauer, who signed the Saar settlement with former French premier Mendes-France last October and feels honor bound to support it, now finds himself somewhat isolated in maintaining this position at home. Although he has requested his own Christian Democratic party not to meddle in the Saar referendum, the other West German parties--as well as individual Christian Democrats--are making no secret of their efforts to bring about a rejection of the statute. They are reportedly sending funds and quantities of campaign literature into the territory.

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Last October the French and Saar governments anticipated approval of the European statute by an 80-percent majority, and in mid-July Saar government officials claimed to be still confident that a substantial majority would accept the statute. Early this month, several members of the referendum supervisory commission were said to have doubts whether the European statute would be approved on 23 October.

The French government officially warned Bonn on 10 August that nonapproval of the statute would automatically restore French control. French fears of an early reunion of the Saar with resurgent Germany would be immediately stimulated, even if the statute were adopted by only a slim majority. Bonn admits that it has no alternative plan worked out in the event that the statute is rejected.

Counterbalancing French-German friction generated by the referendum campaign is the basic sentiment for rapprochement motivating both Adenauer and French foreign minister

Pinay. Recent events in the Saar, however, may lead to some bitter exchanges, as indicated by a Bonn official's comment to American representatives that the long-term French-German trade agreement concluded on 5 August, hailed publicly as a concrete step toward rapprochement, in fact represented German "concessions" in the context of the Saar discussions.

The pro-German agitation may lose much of its present momentum as the implications of rejection of the statute become clearer and as Hoffmann, a skilled political in-fighter, hammers on the themes of "Europeanization" and of the continuing prosperity for the Saar in economic union with France. Saarlanders might be strongly influenced if the WEU referendum commission officially protested the tactics of the pro-German parties as an effort to impede its task. Meanwhile, the current situation in the Saar constitutes a potentially serious threat to the French-German rapprochement of which the Saar agreement was to have been the keystone.

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**Argentine Unrest Continues**

The Argentine government appears to be planning sterner measures to curtail demonstrations by the opposition. New government charges against Catholics and new Peronista Party pronouncements suggest a revival of the antichurch campaign.

Following widespread anti-government demonstrations on 15 and 17 August, Interior Minister Albrieu issued a public statement that "toleration has a limit" and the "government

is ready to safeguard security and tranquility." He accused priests in Buenos Aires of using the pulpit to start a "campaign of disobedience against the government."

Further criticism of the clergy was contained in press accounts of a meeting of the Peronista Party council, which condemned "those who use religious dogma and their church as instruments of low political ends." In the first public Peronista meeting since the

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16 June revolt, party officials declared on 19 August that the political truce with the opposition was over and "we are starting to fight on whichever field our opponents may choose and with whatever arms they want."

A renewal of the antichurch campaign could cost Peron part of his vital support from the army, especially among officers

of the middle and lower ranks. Meanwhile, continuing attacks on police stations, other disturbances, and speeches by opposition leaders suggest that the opposition will be satisfied only with a completely new government. Army leaders are presumably weighing this and other pressure for the removal of Peron against the strength of the president's numerous and still powerful following.

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## PART III

PATTERNS AND PERSPECTIVESUSSR EXPLOITS DIFFERENCES BETWEEN WEST AND MIDDLE EAST

During recent weeks Moscow has moved to capitalize on differences between Middle Eastern states and the Western nations in connection with defense planning. Soviet overtures have been directed mainly to Egypt, but also to Saudi Arabia and Syria--the three countries which have most opposed Western-sponsored defense arrangements in the Middle East.

The USSR apparently has made a number of offers of economic aid, technical assistance, trade, and military equipment. The offers have given these states an opportunity to apply pressure on the West to meet their demands or face the alternative of greater Soviet influence in the Middle East.

Egypt

The most recent Soviet offers to Egypt allegedly were made to Prime Minister Nasr and other Egyptian officials by D. T. Shepilov, member of the central committee of the Soviet Communist Party and chief editor of Pravda. Shepilov, who was in Cairo for ceremonies celebrating the anniversary of the coup which deposed King Farouk, is the highest-ranking Soviet official to have visited the Middle East since World War II, and he had a number of meetings with Egyptian officials.

While Nasr has apparently not yet agreed to accept Soviet aid, there can be little doubt that he has considered the offers seriously, even if only as levers to use against the West.

Closer relations between the USSR and Egypt have been furthered especially by their mutual hostility toward the Turkish-Iraqi pact and, more recently, by Nasr's ambition for an "independent" foreign policy. This has created an excellent opportunity for Moscow to persuade the Nasr regime and a substantial number of its supporters among the Free Officers in the army that the USSR and Egypt have a parallel approach to the most important aspects of Egyptian foreign policy. The USSR is certainly aware that Egyptian efforts to purchase arms in the West have not been completely successful, and that Nasr is under considerable pressure from the Free Officers, on whom he relies for support, to get arms, from the USSR if necessary.

It appears, therefore, that Shepilov's visit to Egypt may have been timed to take advantage of Egypt's internal situation as well as its differences with the West, possibly on the assumption that such a propitious opportunity might not soon reappear.

Saudi Arabia

On the day Shepilov arrived in Cairo, Soviet ambassador Lavrentiev in Tehran told the Saudi ambassador there that the USSR was interested in establishing diplomatic relations with his country. King Saud told Ambassador Wadsworth on 6 August that the USSR had coupled this proposal with an offer to supply Saudi Arabia with

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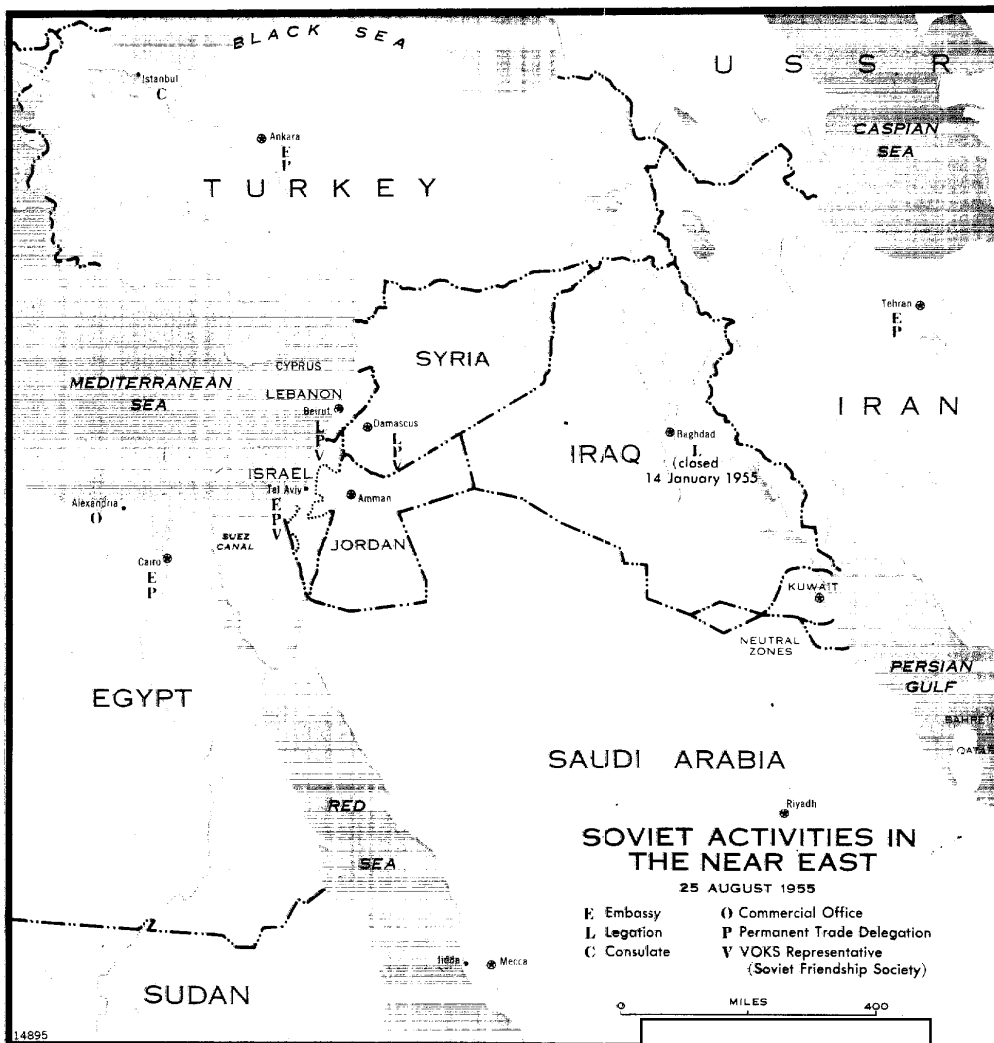
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military equipment, but that he had not replied.

On 11 August, during Saud's state visit to Tehran, the king told Ambassador Chapin that Saudi Arabia had been unsuccessful in its attempts to get arms from Britain and the United States, and that the USSR had offered such equipment on highly advantageous terms.

In connection with establishing relations between the two countries, Saudi deputy foreign minister Yasin told Ambassador Wadsworth that Lavrentiev had offered "any guarantee you desire" against Soviet aggression and had expressed Soviet readiness to sign a pact guaranteeing Near Eastern neutrality if Washington would do the same. Lavrentiev's



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proposal appears to be a direct extension of Bulganin's statement at Geneva to the effect that the USSR was prepared, together with "other powers," to guarantee the neutrality of any country desiring such a guarantee. In his report to the Supreme Soviet, Bulganin specifically referred to the Near East as one of the areas where the movement for a policy of neutrality was growing.

As in the case of Egypt, Moscow apparently is trying to develop a policy that will be effective in exploiting Saudi differences with the West and especially with the United States, whose agreement for the Dhahran air base ends its first term in June 1956. The king and Saudi officials have made it clear that they desire more American economic and military aid than they are now receiving. Moscow may be using the offers of military aid as a means of encouraging Saudi Arabia to weaken its ties with the West by refusing to renew such arrangements as the Dhahran agreement.

**Syria**

During the past several months, the Syrians also have received offers of various types of aid from the USSR, including military equipment. These offers apparently have been of a more general nature, however, than those made to Egypt and Saudi Arabia. Most of the latest reports have stemmed from the visit of a Syrian parliamentary delegation

to the USSR during the period that Shepilov was in Cairo. When the delegation returned, the Syrian press reported that Bulganin had "pledged" to give Syria economic assistance.

**Conclusion**

Moscow possesses the capability to fulfill all the offers it reportedly has made to the Middle Eastern states. In matters of economic and technical assistance, the USSR is well equipped for constructing such projects as the high dam on the Nile envisioned by the Egyptians. It could also easily deliver the arms reportedly offered--including tanks, destroyers, heavy artillery, MIG fighters and jet bombers--without setting back its own program.

The USSR has never yet exported military equipment to a non-Orbit state. Czechoslovakia, however, has exported arms to various Latin American and Near Eastern countries, including Egypt. The recent Soviet offers, and the circumstances under which they were made, suggest that the USSR now might be willing to export limited quantities of military equipment, especially to underdeveloped countries such as Egypt, in which Moscow might hope to gain political influence and encourage neutralist and anti-American policies.

If arms agreements are actually reached, Moscow probably will be careful to picture them as legitimate, mutually beneficial barter deals without political connotation.

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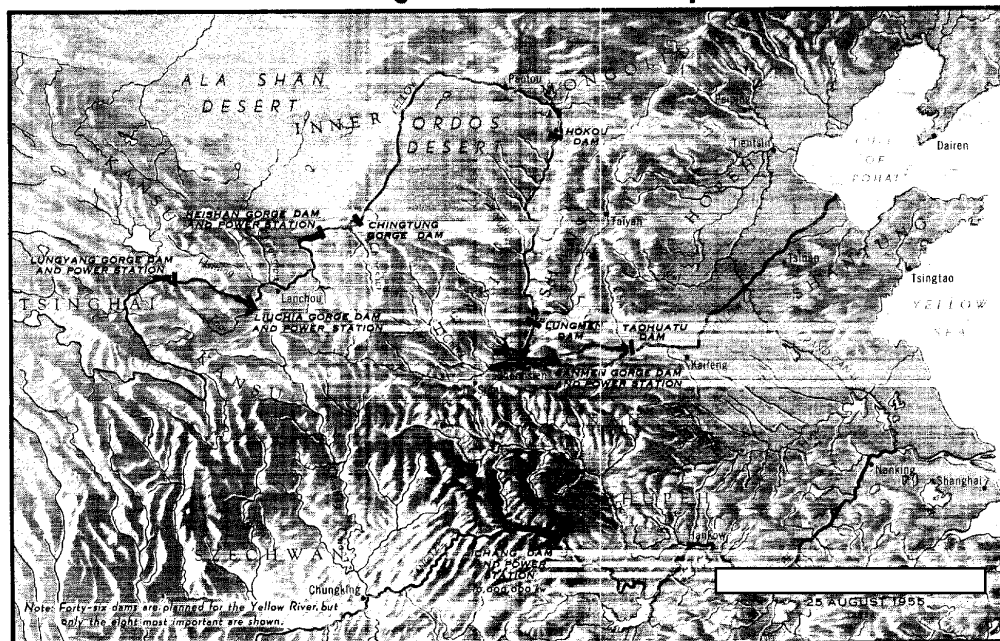
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****25 August 1955****MAJOR DEVELOPMENT OF YELLOW AND YANGTZE RIVERS PLANNED**

Communist China has announced that beginning in 1957 major programs will be started for the permanent control of the Yellow and Yangtze Rivers and the economic development of their valleys. These programs are expected to follow closely recommendations of American surveys made from 1943 to 1947, which predicted enormous agri-

and completed in 1961.

The Yangtze River scheme, a project of similar magnitude, is being surveyed now by Soviet experts and is to be started during the second Five-Year Plan, 1958-1962.

Both programs probably will require 50 years to com-

**Yellow and Yangtze River Development Plans**

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cultural and industrial benefits from flood control, irrigation, hydroelectric power generation, and improved navigation on these rivers.

The first phase of the Yellow River project--which was drawn up last year with the help of a team of Soviet specialists--will cost about two billion dollars and provides for completion of two large dams by 1967. One of these, a dam and hydroelectric station at Sanmen gorge, is to be started in 1957

plete, but by 1967 major dams will have been completed, at least on the Yellow River, to end the threat of floods which have periodically caused major agricultural and human disasters in both these heavily populated river valleys. Expansion of irrigation in the Yellow River basin is expected by 1967 to increase annual food output by 2,730,000 tons. Irrigation benefits from the Yangtze River project should be at least as great.

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The hydroelectric potential being developed under these programs is extremely important to Chinese industrial expansion plans in Central, North and Northwest China. The Chinese plan to have 1,000,000 kilowatts of generating capacity at the Sanmen Dam and part of another 1,000,000-kilowatt plant near Lanchow in operation by 1967. Low water flow during winter will limit the year-round generating capacity of these plants to about 280,000 and 400,000 kilowatts respectively, but even

these figures exceed by many times the power capacity of thermal plants now in these two areas.

By 1967, the Chinese probably will have installed part of the power plant at the Io-hang Dam on the Yangtze, for which American surveys recommended a 10,000,000-kilowatt plant. Most of this capacity is available all year. Capacity of electric power plants in all of China is now only 3,000,000 kilowatts.

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**TURKEY'S ECONOMIC DIFFICULTIES COMPLICATE RELATIONS WITH US**

Turkey's economic difficulties and related domestic political problems have led its government to adopt a cooler attitude toward the United States. Nevertheless, Turkey's co-operation with the Western powers in defense matters almost certainly will continue.

The Turkish Democratic Party administration, which started its second four-year term in May 1954 with an overwhelming majority in parliament, aims to expand the country's production and to develop rapidly its retarded economy. The government's program, however, has been overly ambitious and poorly executed. It apparently has not understood the relationship between the physical and financial aspects of development and the importance of economic stability for orderly economic development. Inflation has been allowed to get out of hand and the external payments deficit has reached unmanageable proportions.

Although the government is now giving some indication that it may be getting ready to tackle its economic problems realistically, it has in the past shown a marked hostility toward a realistic appraisal of these problems and toward any suggestions for correcting them.

When Ankara failed in the spring of 1955 to obtain a \$300,000,000 credit from the United States to support its program, an apparently government-inspired campaign designed to force the American hand in connection with the loan was launched in the Turkish press. The press takes the line that Turkey is entitled to American aid because of its unique contribution to the free world and that any American suggestions concerning Turkey's economic policies are presumptuous.

Progovernment newspapers reported that rejection of the credit "exploded like a bomb"

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and called the American action "lamentable." Other papers remarked that Turkey could not accept "economic and financial tutelage" from any nation, no matter how friendly. The press gave little publicity to the \$30,000,000 in aid which was granted. As a result, a considerable public reaction has developed.

Acting Foreign Minister Zorlu, commenting in mid-August to Ambassador Warren on the deterioration in the cordial relations between Turkey and the United States, pointed to speculation in the press that the United States was no longer as interested in Turkey as previously because of the Soviet peace offensive. Zorlu said Prime Minister Menderes was very nervous about the economic situation, commenting bitterly: "Your people are all theoretical. They do not understand the practical aspects."

Zorlu insisted that the government is trying to allay press speculation on American intentions, but that it is impossible at present to explain the extent of aid to be expected

from the military and economic conversations which are now going on.

The government's economic policies have become a domestic political issue. The opposition Republican People's Party has accused the government of inept handling of the negotiations. Recent reshuffling of a few top leaders also suggests that some behind-the-scene differences have developed.

The government leaders and politicians are concerned over the opposition's activity. There is no indication, however, that the Democratic Party's control is now threatened or that a serious change in relations with the United States is occurring. Any reduction in overall aid to Turkey automatically creates certain dissatisfactions and problems, but long-range American security interests in the area should not be seriously affected.

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**PROSPECTS FOR LONDON TALKS ON CYPRUS ISSUE**

The three governments meeting in London on 29 August to discuss Cyprus are firmly committed to their respective positions concerning the union of Cyprus with Greece. There is no room for compromise between the British and Turks on the one side and the Greeks on the other.

Greece intends to be "moderate and reasonable," accord-

ing to Foreign Minister Stephanopoulos, who nevertheless will almost certainly demand early application of the principle of self-determination to Cyprus. Since the majority of the Cypriots are clamoring for enosis--the union of Cyprus with Greece--"self-determination" means Greek annexation of the island. The concessions which Athens is willing to make are all based on the assumption that

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the island will be transferred to Greek sovereignty. Britain has already been promised extensive base privileges and Turkey is likely to be offered privileged treatment of the Turkish minority and the right to recruit soldiers from among Cypriot Turks.

Because enosis is an emotional issue of paramount importance in Greece as well as on Cyprus, Athens will insist on self-determination as the basis of any solution. Public sentiment has forced the Rally government to compete with the opposition parties in devotion to enosis, and a surrender of that principle at London might be fatal to the regime.

The Cypriot Nationalist leader, Archbishop Makarios, has promised to take the issue to the Greek people if their government makes any agreement on Cyprus unacceptable to his followers. In that event, Makarios prophesies the fall of the Papagos government--a threat which, because the archbishop is a Greek national hero and because the Rally has lost popular support, is not idle.

An official of the British Foreign Office recently told the American embassy in London that the conference would be abortive if the Greeks demanded enosis soon. The British apparently hope to play the role of mediator between the Greeks and Turks. But if the Greeks demand immediate enosis, London will be obdurate, although it "will continue to let the Turks wield the scimitar."

Britain apparently has no hard-and-fast plan to present but proposes to obtain formal declarations of the Greek and Turkish positions and then to "play by ear." London appears willing to compromise, but not at the cost of antagonizing the

Turks or of conceding its own position.

Britain insists on retaining sovereignty over Cyprus for an indeterminate time. It is prepared, however, to issue a declaration of eventual self-determination for Cyprus. There has been a British suggestion for holding a plebiscite within ten years, but the Greeks cannot agree to wait that long for enosis.

Several ideas for the immediate future of the colony have been considered, including the grant of a constitution providing for a legislature with an elected majority and the establishment of a Greek-Turkish-British condominium over the island.

Ankara has a public opinion problem on the Cyprus issue similar to that of Athens. Acting Foreign Minister Zorlu, who will head the Turkish delegation at London, claims that the government could not survive if it permitted the transfer of Cyprus to Greece. Zorlu says he will be as "flexible and reassuring" as possible, but will firmly oppose Greek claims to sovereignty over the island. Turkey's only concession toward ameliorating the situation apparently will be agreement to a "liberalization" of the British administration of Cyprus.

Greece has already applied for inscription of the Cyprus issue on the agenda of this year's UN General Assembly and Turkey has again launched a diplomatic campaign aimed at frustrating the appeal. Popular feeling is running high in Greece and Turkey and recriminations in the press of both countries are evoking latent, deep-seated animosities.

Archbishop Makarios, who severely criticized Athens for accepting the British invitation to the conference, has announced

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that the Cypriots will not be bound by any decision unsatisfactory to them even if Greece is a party to it. Britain and Turkey will not accept enosis, and Makarios may be forced into more open support of Nationalist extremists in order to retain his personal leadership of the enosis movement.

Organized violence against the British authorities continues despite increasingly stringent British security measures. The outbreaks are likely to become more frequent and widespread during the London talks and during any UN debates.

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